ANNUAL REPORT 2018

Fiscal year ended March 31, 2018

Corporate History

	Corporate History	Product Development History
1949	Japan Electron Optics Laboratory Co., Ltd. established	JEM-1 electron microscope completed
1956		JEM-5G electron microscope first exported to the CEA Saclay Atomic Energy Research Institute, France JNM-1, Japan's first nuclear magnetic resonance (NMR) system, completed
1961	Company name changed to JEOL Ltd.	
1962	JEOL listed on the Second Section of the Tokyo Stock Exchange JEOLCO (USA) INC. established as the first overseas subsidiary	JXA-3 X-ray microanalyzer completed
1963		JMS-01 double-focusing mass spectrometer completed JLC-01 general-purpose automatic recording fluid chromatograph completed
1966	JEOL listed on the First Section of the Tokyo Stock Exchange	JSM-1 scanning electron microscope completed JEM-1000 1000kV ultrahigh voltage electron microscope completed
1967		JEBX-2A electron beam lithography system completed
1968		JLC-5AH, world's first fully automated amino acid analyzer, completed
1972		JCA-1KM "clinalyzer™" clinical chemistry analyzer completed
1974		JAMP-3 Auger microprobe and JESCA-2 photoelectron spectrometer completed
1976	"Tokyo Meeting," first overseas marketing meeting, held	
1982		JEPAS-1000 electron beam measuring instrument completed
1983		JIBL-100 focused ion beam system completed
1989		JSTM-4000XV ultrahigh-vacuum scanning tunnel microscope completed
1993		JEIP-900F high-density reactive ion plating system completed
1995	"BS EN ISO 9001" obtained	
1996	Launched of the JEOL Group website (https://www.jeol.co.jp)	High-speed next-generation clinical chemistry analyzer "BioMajesty™" completed
2001	New JEOL TECHNICS LTD. building completed	
2002	YAMAGATA CREATIVE CO., LTD. (currently JEOL YAMAGATA CO., LTD.) established, and the New Datum Hall completed Obtained ISO 14001 certification for environmental management system	
2003	JEOL Group's Environmental Statement announced	
2004	YAMAGATA CREATIVE CO., LTD. (currently JEOL YAMAGATA CO., LTD.) Tendo Factory completed	
2005	Agreed to set up an industry-academia collaboration office with the University of Tokyo	Ion source for mass spectrometers "DART™" completed
2007	New clean room in Building 3 completed	
2009		JEM-ARM200F atomic resolution analytical electron microscope completed
2010	JEOL BRASIL INSTRUMENTOS CIENTIFICOS LTDA. established JEOL Group medium-term management plan, "CHALLENGE 5," announced	JMS-S3000 SpiralTOF™, matrix assisted laser desorption/Ionization time-of-flight mass spectrometer, completed InTouchScope™ JSM-6010LA completed
2011	JEOL (RUS) LLC established JEOL INDIA PRIVATE LIMITED established JEOL RESONANCE Inc. established	JIB-4000 focused ion beam milling/imaging system completed
2012		Thermal field emission scanning electron microscope JSM-7100F completed Benchtop scanning electron microscope JCM-6000 "NeoScope™" completed JEM-1400Plus new field emission transmission electron microscope completed
2013	JEOL Group medium-term management plan, "Dynamic Vision," announced	Zero boil-off magnet for NMR system completed
2014	Capital reinforcement implemented 65th anniversary of establishment Riken CLST-JEOL Collaboration Center established JEOL (GULF) FZCO established	Ultimate atomic resolution transmission electron microscope JEM-ARM300F completed Nuclear magnetic resonance system JNM-ECZ series completed JSM-7800FPRIME Schottky field emission scanning electron microscope completed
2015	NIMS-JEOL Center of Excellence for Analytical Technology opened JEOL (GERMANY) GmbH new building completed	JMS-T200GC high-end gas chromatograph time-of-flight mass spectrometer completed JSM-IT100 InTouchScope™ scanning electron microscope completed JEM-F200 multi-purpose electron microscope completed JCA-ZS050 future generation clinical chemistry analyzer completed
2016	JEOL Group medium-term management plan, "Triangle Plan," announced JEOL USA NMR R&D LAB established	JSM-IT300HR series InTouchScope™ scanning electron microscope completed
2017	Jointly with IMS, JEOL announced introduction to market of world's first multi-electron beam lithography system for mass production JEOL estabished CeSPIA Inc. with Dr. Yoshinori Fujiyoshi of Nagoya University The Keio University - JEOL High-Performance Analytical Equipment Sharing Model Validation & Evaluation Center opened University of Tokyo and JEOL: electron microscope achieved world-record spatial resolution of 40.5 pm JEOL-Nikon CLEM Solution Center established Developers of cryo-electron microscopy received Nobel Prize in Chemistry	ROYALPROBE HFX completed JSM-IT500 series InTouchScope™ scanning electron microscope completed JEM-Z300FSC/JEM-Z200FSC of spot electron beam lithography systems completed JEM-Z200FSC field emission cryo-electron microscope completed JSM-7900F Schottky field emission scanning electron microscope completed Next-generation STEM detection system opened up new applications for aberration-corrected TEM "4DCanvas™" completed JSM-IT500HR InTouchScope scanning electron microscope completed JSM-7610FPlus new ultra-high resolution Schottky field emission scanning electron microscope completed
2018	Japan Industrial Standard (JIS) for the quantitative NMR (qNMR) analysis method is established JEOL awarded 64th (FY 2017) Okochi Memorial Technology Prize by the Okochi Memorial Foundation	JSM-IT200 InTouchScope™ scanning electron microscope completed

Consolidated Financial Highlights

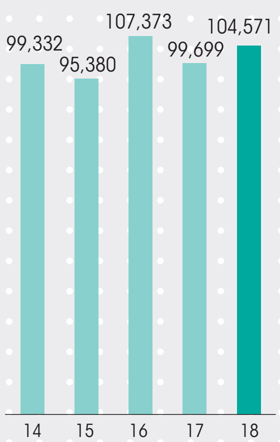
JEOL Ltd. and consolidated subsidiaries, for the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note)
	2018	2017	2018
For the year:			
Net sales	¥ 104,571	¥ 99,699	$ 984,659
Operating income	3,929	2,077	36,996
Income before income taxes	4,797	2,274	45,165
Net income attributable to owners of the parent	4,532	596	42,677
Per share data (in yen and U.S. dollars):			
Net income attributable to owners of the parent (yen)	46.90	6.17	0.44
Total equity (yen)	386.92	334.11	3.64
At year-end:			
Total assets	114,764	109,045	1,080,643
Total equity	37,386	32,285	352,046

Note: The U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥106.2 to U.S.$1 (the approximate exchange rate on March 31, 2018).

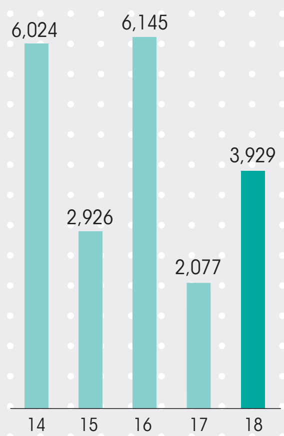
Net sales

(Millions of yen)



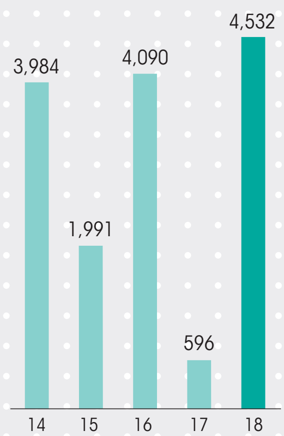
Operating income (loss)

(Millions of yen)



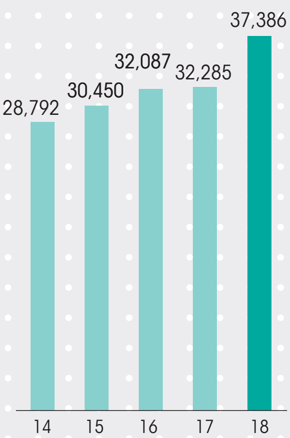
Net income (loss) attributable to owners of the parent

(Millions of yen)



Total equity

(Millions of yen)



Contents

Disclaimer Regarding Forward-Looking Statements

The information contained in this annual report is given for the sole purpose of providing information regarding the business performance of JEOL Ltd. during the fiscal year ended March 31, 2018, and is not intended to solicit investment in any securities issued by the Company. Any statements with respect to JEOL's current plans, strategies and forecasts are forward-looking statements based upon information available as of March 31, 2018, and involve known and unknown risks and uncertainties.

Actual events and results may differ materially from those anticipated in these statements.

Solutions for Innovation | JEOL

First of all, let me take this opportunity to express my heartfelt gratitude for your continuous support.

It is a pleasure to deliver my message to our stakeholders in this JEOL Annual Report for the fiscal year ended March 31, 2018

Gon-emon Kurihara
President and Representative Director

Company Philosophy

On the basis of "Creativity" and "Research and Development," JEOL positively challenges the world's highest technology, thus forever contributing to progress in both science and society through its products.

Business Results during the Fiscal Year Ended March 31, 2018

The economic situation in Japan during the fiscal year under review was characterized by the trend of a moderate recovery, against the backdrop of such factors as the effects of government economic policies, positive corporate earnings, stable income and employment conditions, and rising share prices. On the other hand, although the international situation was affected by trade friction between the US and China, as well as a lack of transparency regarding US policy management, overall the global economy performed well, with personal consumption and capital investment recovering slowly in Europe and the US, and the economies of emerging countries being supported by higher domestic demand and exports.

Under these circumstances, the JEOL Group worked hard to implement the prioritized strategies defined in its medium-term management plan, "Triangle Plan," (FY 2016 to FY 2018) to enhance its enterprise value and management base as well as boost orders and sales. We have reported our results in the section of Consolidated Financial Analysis section of this document.

In Pursuit of Higher Corporate Values

The JEOL Group developed the "Triangle Plan," its new medium-term management plan for FY 2016 to FY 2018. Under the plan, we will build on the management structure reforms achieved under "CHALLENGE 5" (the medium-term management plan for FY 2010 to FY 2012), and the growth strategy under "Dynamic Vision" (the medium-term management plan for FY 2013 to FY 2015). While continuing the YOKOGUSHI Strategy (cross-sectional collaboration strategy) implemented in the previous management plans, we will pursue "speed," "difference," and "change" as a new set of keywords to deepen and materialize our growth strategy. Based on these visions and strategies, we will strive to transform the Company into a highly profitable, medium-sized enterprise that continuously generates solid profits.

The JEOL Group will continue to work all-out to renovate its business structure and set up a stable revenue source structure, while promoting environmental conservation, enhancing compliance, maintaining our commitment to corporate ethics, and reinforcing our management base for sustainable growth by fostering a favorable corporate culture on a Group-wide basis.

Shareholder Return and Dividends

Our basic policy for profit distribution is to maintain stable dividends from a long-term perspective based on our efforts to improve our financial standing and corporate structure. For the fiscal year under review, in light of our business performance and financial condition, the year-end dividend was ¥4.50 per share (the full-year dividend including the interim dividend was ¥8 per share).

By pursuing profit-oriented management, we will continue to enhance our enterprise value and improve our earnings base. We look forward to your understanding on these matters.

Triangle Plan

(FY 2016 to FY 2018)

Under the "Triangle Plan," we will further strengthen the management structure reforms achieved under "CHALLENGE 5" (the medium-term management plan for FY 2010 to FY 2012), and the growth strategy under "Dynamic Vision" (the medium-term management plan for FY 2013 to FY 2015). While continuing the YOKOGUSHI Strategy (cross-sectional collaboration strategy) implemented in the previous management plans, we will pursue "speed," "difference" and "change" as a new set of keywords to deepen and achieve our growth strategy. Based on these visions and strategies, we will strive to transform the Company into a highly profitable, medium-sized enterprise that continuously generates solid profits.

Corporate Message

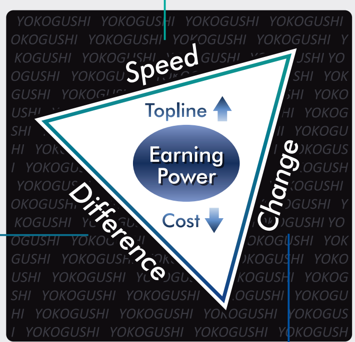
Solutions for Innovation

Providing the solutions to support customer innovation

Our approach to implement the "Triangle Plan"

Speed The one who controls the speed, controls the business

- Achieve a speed-up of development in all product categories
- Strengthen product development ability by improving the high through-put function
- Reduce delivery time and delivery adjustment time
- Achieve prompt supply of consumable parts and prompt service
- Strengthen the response to the needs of the private-sector market where speed is essential



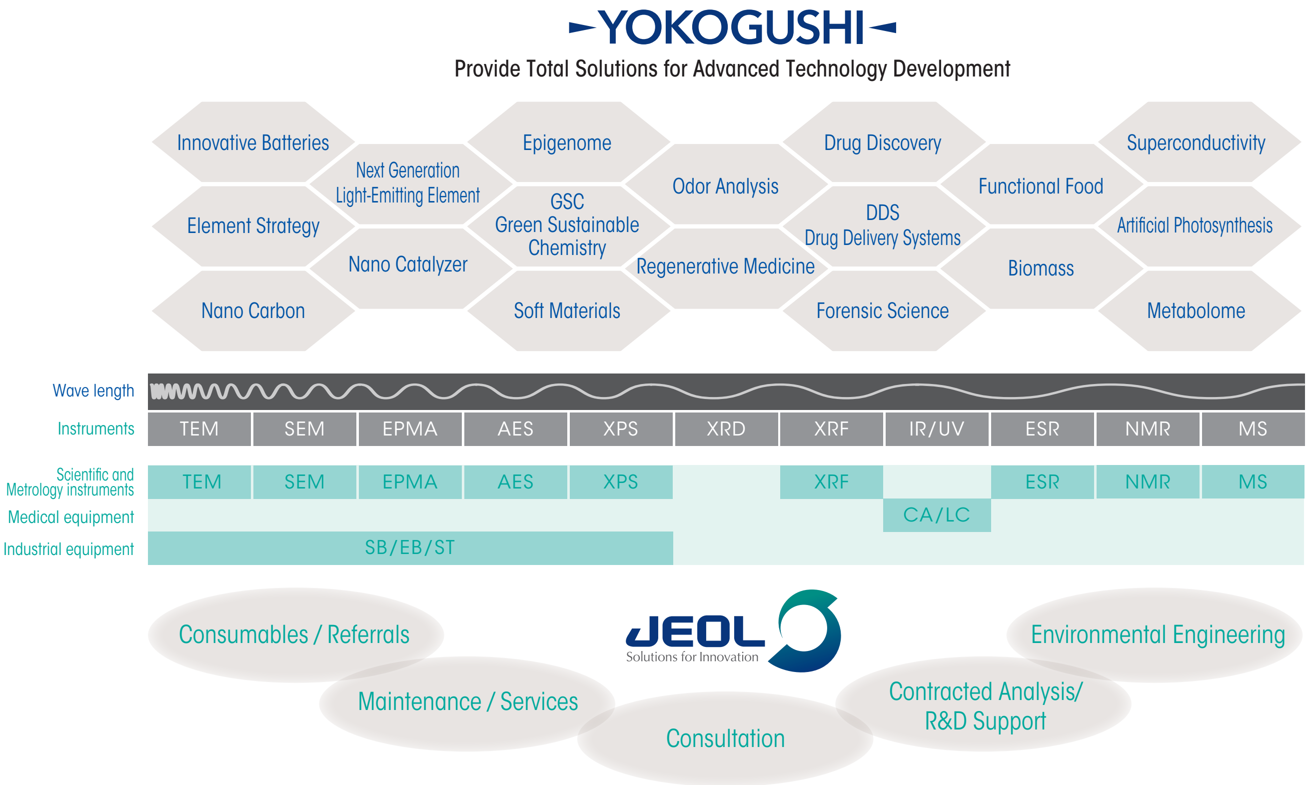
Difference Creation of competitive advantage (which makes the difference)

- Strengthen product development focusing on differentiation from competitor products
- Promote YOKOGUSHI sales promotion
- Implement specific YOKOGUSHI activities that directly bring results to the business
- Further promote the solution business focusing on differentiation from competitor products

Change Adaptation to environmental changes and efforts for self-reform

- Expand the business model from retailing to the aftermarket
- Establish a system to continuously monitor the business environment, detect changes and respond to the changes

Foundation of the Triangle Plan



Close-Up

Establishment of JEOL-Nikon CLEM Solution Center

JEOL and Nikon Corporation have jointly established the JEOL-Nikon CLEM* Solution Center, with the aim of providing the opportunity to experience cutting-edge CLEM solutions and for disseminating technical information.

*CLEM: correlative light-electron microscopy

All eyes on cryo-electron microscopes Awarded 2017 Nobel Prize in Chemistry

The 2017 Nobel Prize in Chemistry was awarded to the three developers of cryo-electron microscopy: Professor Dr. Jacques Dubochet of the University of Lausanne in Switzerland, Professor Joachim Frank of Columbia University in the United States, and Richard Henderson, Programme Leader at the MRC Laboratory of Molecular Biology in the UK. JEOL's field emission cryo-electron microscopes JEM-Z200FSC and JEM-Z300FSC, which went on sale this fiscal year, are cutting-edge cryo-electron microscopes based on the super-low electron microscopy technology expertise that the Company has been nurturing for over 30 years.

It is expected that these models will play a central role in new drug developments and in clarifying biological processes.

Launched JEM-Z300FSC field emission cryo-electron microscope

Structure analysis of viruses and proteins using cryo-electron microscopes is approaching the atomic level. The requirement for unprecedented stability in both hardware and software has developed hand in hand with this trend.

In response to these requirements, and following on from the launch in April of the CRYO ARM™ 200, in June the Company began sales of the CRYO ARM™ 300, the current ultimate in resolution and stability.

2017 April

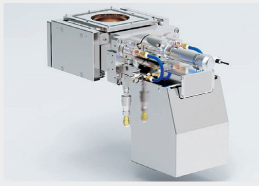
Equity investment in CeSPIA Inc.

In a joint equity investment with Nagoya University' s Visiting Professor Dr. Yoshinori Fujiyoshi the Company established CeSPIA Inc. CeSPIA Inc. provides contract services for analyzing protein structures based on membrane protein structure methods using cryo-electron microscopes which has been developed and evolved by Dr. Fujiyoshi.

2017 July

Launched next-generation 4DCanvas™ STEM detection system opens up new applications for aberration-corrected TEM

JEOL has developed the 4DCanvas™ pixelated STEM detector, a new type of detector that captures all the electrons that have passed through a sample as a two-dimensional pattern.



Launched JSM-
a new ultra-high
emission scanning

– A high-performance
fine structures and

2017 April | May | June | July | August | September

2017 May

Launched JSM-7900F, a new Schottky field emission scanning electron microscope

JSM-7900F achieves a combination of ultra-high resolution observation and superior operability. It delivers high performance at all times, without being dependent on the skill of the operator.

Launched JEM-1400Flash, a new field emission transmission electron microscope

This is a new type of electron microscope that is equipped with a high-sensitivity sCMOS camera, an ultra-wide area montage system, and a system that can link images from an optical microscope.

2017 June

Launched JEM-ARM200F NEOARM, a new atomic resolution analytical electron microscope

This device is equipped with a cold field-emission gun (Cold-FEG) developed using the Company's proprietary technology, as well as a new Cs corrector (ASCOR) that compensates for higher order aberrations. And is capable of atomic-resolution imaging not only at high accelerating voltages of 200 kV, but also at the low accelerating voltage of 30 kV.

University of Tokyo and JEOL: Electron microscope achieves world record spatial resolution of 40.5 pm

Professors Yuichi Ikuhara and Naoya Shibata, and Assistant Professor Ryo Ishikawa of the Institute of Engineering Innovation, School of Engineering, the University of Tokyo, in collaboration with the JEOL research group, have achieved a world record for spatial resolution of 40.5 pm. They used a scanning transmission electron microscope with an accelerating voltage of 300 kV made by JEOL. Installed at University of Tokyo, this equipment is equipped with a system, developed by JEOL, that is able to correct high-order aberrations.

Environmental Activities

JGMS basic policy

Under the Company philosophy, the JEOL Group strives to provide total solutions that meet the needs of customers and markets and contribute to the realization of a sustainable recycling society, by providing services and products that include the latest scientific and metrology instruments, semiconductor-related equipment, industrial equipment, medical equipment and other types of equipment.

■ Providing products that take the environment into account

Regulations restricting substances used in products, including the EU's RoHS Directive, are already in force and the use of similar regulations is expanding to other countries. Going forward, in addition to complying with legal requirements, and with the aim of considering everything from procurement to disposal, and of responding to requests both in Japan and from overseas, we will proactively work on the development, production and supply of environmentally friendly and environmentally aware products. On our "Environment Activities" website (www.jeol.co.jp/en/corporate/envi/report/), we have made available information regarding our environmental initiatives.

■ Participation in a Network of Enterprises That Consider the Environment in Akishima City

Based on the concept of contribution from the regional level to the global environment, we have actively participated from the beginning in the "Network of Enterprises That Consider the Environment in Akishima City," which was set up in April 2005 and which involves Akishima City in the Tokyo metropolitan area and enterprises in Akishima.

2017
September

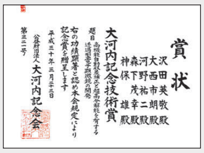
7610FPlus, resolution Schottky field electron microscope

FE-SEM that enables imaging of extremely analysis of micro-regions –

Through a combination of a semi-in lens type objective lens and an in lens Schottky field emission electron gun capable of providing a large probe current with high stability, we were able to achieve both ultra-high-resolution imaging and high-spatial resolution analysis.

2018
February

JEOL awarded 64th (FY 2017) Okochi Memorial Technology Prize by the Okochi Memorial Foundation



JEOL has been awarded the 64th (FY 2017) Okochi Memorial Technology Prize by the Okochi Memorial Foundation(Japan), for "Development of a Transmission Electron Microscope with Automatic Aberration Correction and Super High Resolution." The Okochi Memorial Foundation, established in 1954, commemorates achievements by academia and industry, and is named for the late, distinguished scientist Masatoshi Okochi. Since 1954, with the objective of "promoting science and technology for manufacturing" in accordance with his legacy, award ceremonies have been held for Okochi Prizes, now prestigious prizes with a tradition of being presented for significant achievements.

October November December 2018 January February March

2017
August

Launched JSM-IT500HR, a new scanning electron microscope

We added a high-brightness electron gun to our InTouchScope ™ series to overturn the conventional wisdom for standard SEMs, and have begun selling the result as an SEM that allows high-quality imaging and is able to quickly carry out high spatial resolution analysis. By harmonizing and improving both performance and ease of use, we were able to realize a 40% improvement in work efficiency (compared with our previous products).

2018
January

Japan Industrial Standard (JIS) for the quantitative NMR (qNMR) analysis method

Based on METI's the Standardization System for Cultivating New Markets, JEOL and FUJIFILM Wako Pure Chemical Corporation have been working on the standardization of the quantitative NMR (qNMR) analysis method since 2016. The draft they created has been examined by the Japan Industrial Standards (JIS) Committee, and published as "general rules for quantitative nuclear magnetic resonance spectroscopy K0138." The quantitative NMR analysis method has already appeared as a test methodology in the Japanese Pharmacopoeia, the quality standards publication for pharmaceuticals. In addition, for certain food additives it has been adopted as a standard for reference materials, and it is becoming widely used for organic compounds, typified by pharmaceuticals and chemical reagents. That it has become a set of general rules for JIS means that, in Japan, quantitative analysis methods using quantitative NMR analysis methods have been recognized in a broader range as a national standard.

2018
March

Launched JSM-IT200 InTouchScope™, a new scanning electron microscope series

The JSM-IT200, with more simple and easy-to-use operability launched which mounted as same function as JSM-IT500, the Company's higher model InTouchScope™ series. As same as JSM-IT500 series, routine analyses are even faster and easier to carryout, and throughput is approximately 35% higher than previous models (JSM-IT100 series.)

Expansion of the "Don't-Throw-Away" Campaign(Campaign for Cleaning Up Commuting Routes)

Since 1994, the JEOL Group has conducted a campaign to clean up areas around the Company's premises and routes from the Company to a nearby railway station. The clean-up activity has been held more than 100 times.

CSR

Science Class Support and Science Camp

As part of the commemorative projects for the 60th anniversary of the establishment of the JEOL Group, Science Class Support has been continuously conducted since December 2007 for neighboring elementary schools and others. This special class sees instructors sent from the JEOL Group, and pupils can observe plant pollen and others using desktop scanning electron microscopes.

Since November 2011, special lessons have been given to pupils also at elementary schools in Miyagi prefecture, which were devastated by the Great East Japan Earthquake. JEOL plans to continue these special lessons in the future.

Kazato ResearchFoundation

In commemoration of the 20th anniversary of the establishment of the Company, the Kazato Research Foundation was launched in 1969 by a donation from Kenji Kazato, the founder of JEOL, to promote R&D of electron microscopes and related equipment, as well as research using electron microscopes and related equipment.

President & Representative Director


Gon-emon Kurihara

Directors & Senior Executive Officers


Koichi Fukuyama


Hideyuki Nimura


Atsumi Nakamura


Toyohiko Tazawa

Directors & Executive Officers


Izumi Oi


Atsushi Seki

Outside Directors


Satoshi Nagakubo


Koji Nakao

Corporate Auditor & Supervisory Board Members


Takashi Wakasa


Kazunori Fukushima

Outside Corporate Auditor & Supervisory Board Members


Akifumi Goto


Norio Kuroiwa

Executive Officers

Shin Saito
Hiroaki Fukuda
Katsumoto Yaguchi
Yasuo Hijikata
Yoshihiro Ohkura
Tadashi Komagata

Corporate Officers

Peter Genovese
Tadashi Okubo
Toshikatsu Kaneyama
Mitsuru Takahashi
Shintaro Yazuka
Osamu Wakimoto
Akihiro Kobayashi
Kiyotaka Fujino

Consolidated Five-Year Summary

JEOL Ltd. and consolidated subsidiaries, for the years ended March 31, 2018, 2017, 2016, 2015, and 2014

For the year (Millions of yen):	2018	2017	2016	2015	2014
Net sales	**104,571**	99,699	107,373	95,380	99,332
Scientific and metrology instruments	**68,480**	66,510	73,909	69,221	72,692
Industrial equipment	**16,708**	11,565	9,988	7,436	9,090
Medical equipment	**19,383**	21,624	23,476	18,723	17,550
Selling, general and administrative expenses	**33,562**	32,798	34,129	31,918	27,632
Operating income (loss)	**3,929**	2,077	6,145	2,926	6,024
Ordinary profit (loss)	**4,363**	1,724	5,370	3,532	3,340
Net income (loss) attributable to owners of the parent	**4,532**	596	4,090	1,991	3,984
Capital expenditures	**2,727**	3,267	2,859	3,014	3,681
Scientific and metrology instruments	**1,939**	2,735	2,216	2,191	1,530
Industrial equipment	**354**	178	200	386	1,517
Medical equipment	**284**	188	302	319	258
liminations/Corporate	**150**	166	141	118	376
Depreciation expense	**2,668**	2,526	2,877	2,718	2,528
Research and development costs	**6,044**	6,130	6,479	5,515	4,515
Scientific and metrology instruments	**4,185**	4,404	4,671	4,065	3,550
Industrial equipment	**1,125**	787	668	633	274
Medical equipment	**734**	939	1,140	817	691

At year-end (Millions of yen):	2018	2017	2016	2015	2014
Total assets	**114,764**	109,045	113,501	115,869	111,452
Total equity	**37,386**	32,285	32,087	30,450	28,792

Per share data (yen):	2018	2017	2016	2015	2014
Net income (loss) attributable to owners of the parent	**46.90**	6.17	42.32	18.58	47.98
Total equity	**386.92**	334.11	332.05	315.10	276.72
Cash dividends					
Common stock	**8.00**	7.00	6.00	5.00	5.00
Preferred stock	**–**	–	–	–	50,000.00

Value indicators (%):	2018	2017	2016	2015	2014
Return on equity (ROE)	**13.0**	1.9	13.1	6.7	16.4
Return on assets (ROA)	**4.0**	0.5	3.6	1.8	3.8

Overview of the Fiscal Year Ended March 31, 2018

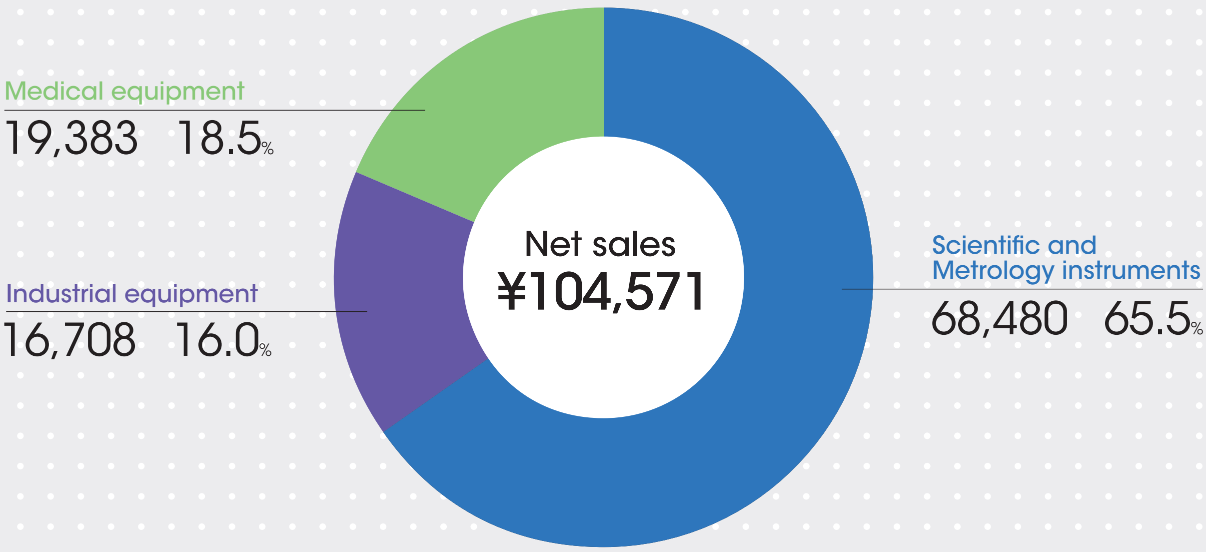
The economic situation in Japan during the fiscal year under review was characterized by the trend of a moderate recovery, against the backdrop of such factors as the effects of government economic policies, positive corporate earnings, stable income and employment conditions, and rising share prices. On the other hand, although the international situation was affected by trade friction between the US and China, as well as a lack of transparency regarding US policy management, overall the global economy performed well, with personal consumption and capital investment recovering slowly in Europe and the US, and the economies of emerging countries being supported by higher domestic demand and exports.

Under these circumstances, the JEOL Group worked hard to implement the prioritized strategies defined in its medium-term management plan, "Triangle Plan," (FY 2016 to FY 2018) to enhance its enterprise value and management base as well as boost orders and sales. We have reported our results in the section of Consolidated Financial Analysis section of this document.

Net sales for the consolidated fiscal year under review were ¥104,571 million (up 4.9% compared with ¥99,699 million in the previous year). In terms of profit and loss, operating income was ¥3,929 million (up 89.2% compared with ¥2,077 million in the previous year), ordinary profit was ¥4,363 million (up 153.0% compared with ¥1,724 million in the previous year). There were also tax adjustments of ¥929 million, due to the posting of deferred tax assets caused primarily by increasing taxable income, and net income attributable to owners of the parent was ¥4,532 million (up 660.5% compared with ¥596 million in the previous year).

Net sales by segment

(Millions of yen)



Segment Information

Information by Business Segment

❶ Scientific and Metrology Instruments Segment

Inquiries, primarily for electron microscopes, were strong, and sales were robust.

Net sales for this segment for the fiscal year were ¥68,480 million (a 3.0% increase from the previous year).

❷ Industrial Equipment Segment

Sales and orders of electron beam lithography systems and electron sources & power supplies for electron beam deposition remained strong.

Net sales in this segment for the year were ¥16,708 million (a 44.5% increase over the previous year).

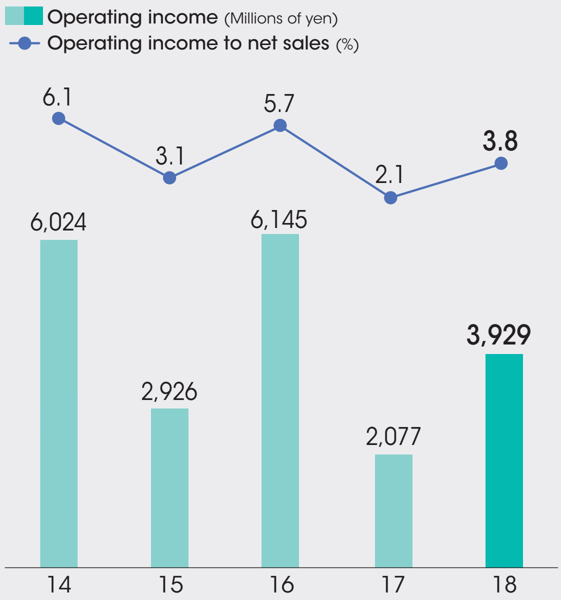
❸ Medical Equipment Segment

Sales of clinical chemistry analyzers in the domestic industry performed well, and immune system analysis equipment supplied to Fujirebio Inc. on an OEM basis were also firm.

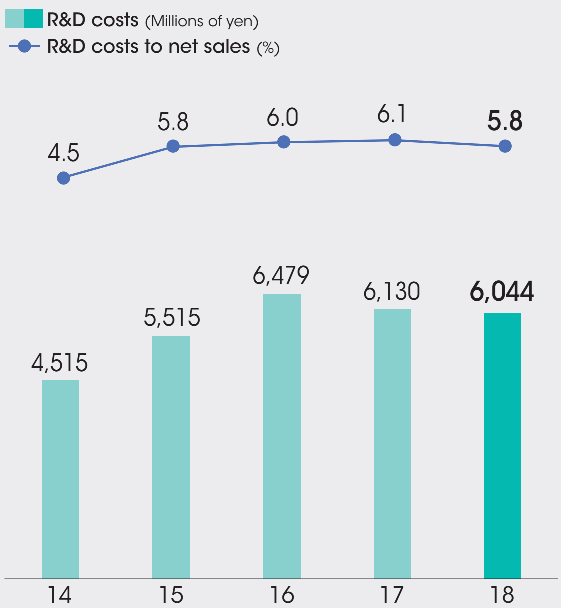
Conversely, in overseas markets, orders and sales from our OEM partner Siemens remained at a low level.

Net sales of this segment for the year were ¥19,383 million (a 10.4% decrease from the previous year).

Operating income / Operating income to net sales



R&D costs / R&D costs to net sales

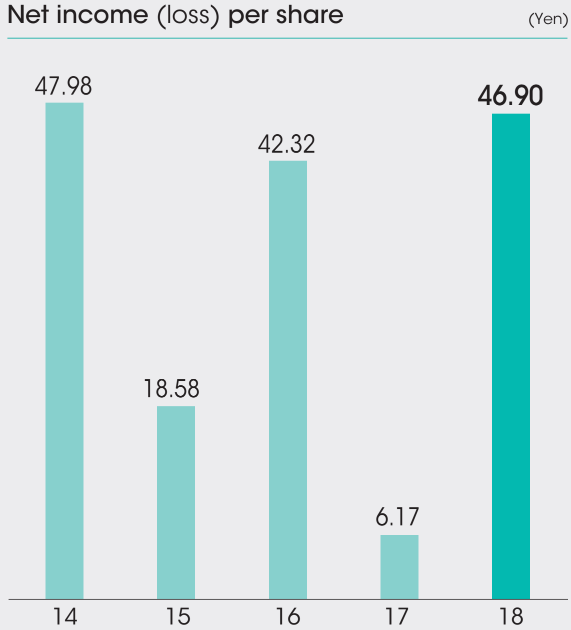


Financial Position

Total assets at the end of the consolidated fiscal year under review came to ¥114,764 million, up ¥5,719 million from the end of the previous consolidated fiscal year. The major factors behind this were an increase in trade notes and account receivables of ¥3,561 million, a rise of ¥2,051 million in inventories, and a rise of ¥6,016 million in current assets.

Total liabilities were ¥77,378 million, up ¥616 million from the end of the previous consolidated fiscal year. The major reasons behind this move were a decline in loans, and an increase in notes and accounts payable.

Total equity grew ¥5,101 million, to ¥37,386 million, reflecting the recording of ¥4,532 million in net income attributable to owners of the parent. As a result, the shareholders' equity ratio as of March 31, 2018 rose 3.0 percentage points, to 32.6%.



Cash Flows

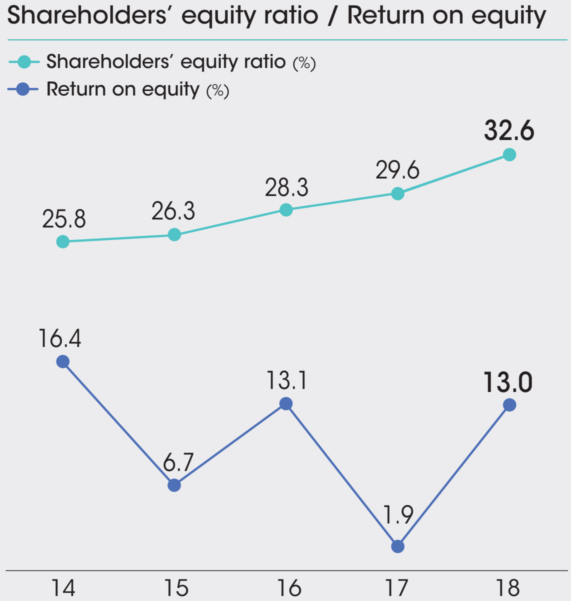
As of this fiscal year ended March 31, 2018, with respect to cash and cash equivalents (hereinafter referred to as "cash") were 9,814 million yen at the end of the fiscal year, up 393 million yen from the previous fiscal year end.

▶ Cash flow from operating activities

For the consolidated fiscal year under review, net cash provided by operating activities was ¥6,524 million, compared with an outflow of ¥573 million in FY 2017. Although there were increases in trade notes and accounts receivables and in inventories, income before income taxes also increased, as did trade notes and accounts payables, resulting in the above-mentioned increase.

▶ Cash flow from investing activities

Net cash provided by investing activities totaled ¥469 million, compared with a net cash outflow of ¥1,094 million in FY 2017. The main reasons for this were purchases of property, plant and equipment, while gains on sales of affiliates' stocks and gains on disposal of property, plant and equipment led to an increase in revenue.



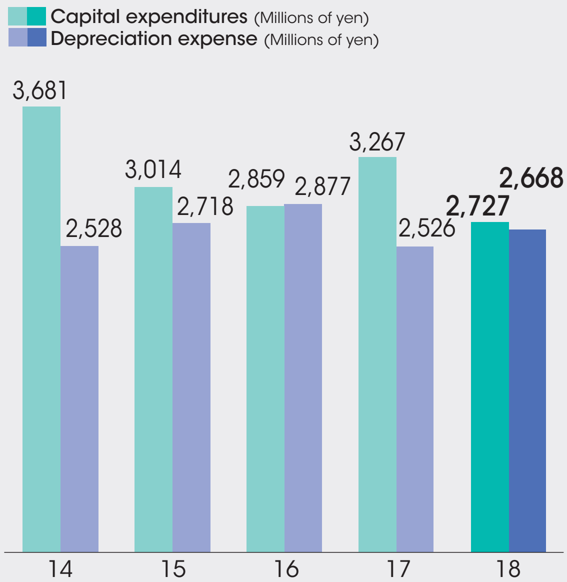
▶ Cash flow from financing activities

Net cash used in financing activities was ¥7,512 million, compared with a net cash outflow of ¥289 million in FY 2016. The primary cause of this was the repayment of loans.

Outlook for the Next Fiscal Year

With respect to the consolidated operating forecasts for the fiscal year ending March 31, 2019, we expect ¥110,000 million in net sales (up 5.2% year on year), ¥5,200 million in operating profit (up 32.4%), ¥5,500 million in ordinary income (up 26.1%), and ¥4,000 million in net income attributable to owners of the parent (down 11.7%).

Capital expenditures / Depreciation expense



Consolidated Balance Sheet

(March 31, 2018)

ASSETS	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
CURRENT ASSETS:			
Cash and deposits (Notes 3 and 13)	¥ 9,677	¥ 9,421	$ 91,122
Time deposits (Note 13)	263	745	2,473
Receivables (Note 13):			
Trade notes	1,843	2,235	17,355
Trade accounts	27,991	23,178	263,565
Unconsolidated subsidiaries and affiliates	508	1,424	4,786
Other	406	424	3,827
Allowance for doubtful receivables	(484)	(474)	(4,558)
Inventories (Note 5)	41,352	39,300	389,376
Deferred tax assets (Note 9)	2,362	1,616	22,245
Prepaid expenses and other current assets (Note 3)	2,224	2,257	20,937
Total current assets	86,142	80,126	811,128
PROPERTY, PLANT AND EQUIPMENT (Note 6):			
Land	1,806	1,790	17,008
Buildings and structures	22,265	21,988	209,649
Machinery and equipment	4,085	3,757	38,468
Tools, furniture and fixtures	20,368	18,836	191,785
Lease assets	2,801	3,702	26,378
Construction in progress	159	293	1,494
Total	51,484	50,366	484,782
Accumulated depreciation	(37,886)	(36,901)	(356,745)
Net property, plant and equipment	13,598	13,465	128,037
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4, 6 and 13)	7,749	6,871	72,965
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 13)	1,527	2,578	14,382
Software	270	329	2,546
Software lease	56	85	526
Goodwill	2,126	2,496	20,027
Deferred tax assets (Note 9)	370	356	3,487
Other assets	2,926	2,739	27,545
Total investments and other assets	15,024	15,454	141,478
TOTAL	¥ 114,764	¥ 109,045	$ 1,080,643

See notes to consolidated financial statements.

		Millions of Yen		Thousands of U.S. Dollars (Note 1)
	LIABILITIES AND EQUITY	2018	2017	2018
CURRENT LIABILITIES:	Short-term bank loans (Notes 6 and 13)	¥ 4,350	¥ 6,571	$ 40,956
	Current portion of long-term bank loans (Notes 6 and 13)	5,266	4,572	49,586
	Current portion of bonds (Notes 6 and 13)	576	676	5,424
	Current portion of long-term lease obligations (Notes 6 and 12)	359	436	3,381
	Payables (Note 13):			
	Trade notes	13,679	10,998	128,802
	Trade accounts	9,038	6,976	85,105
	Unconsolidated subsidiaries and affiliates	229	227	2,154
	Other	2,351	2,036	22,139
	Income taxes payable	774	355	7,285
	Deferred tax liabilities (Note 9)	1	61	4
	Advances received	7,956	7,011	74,920
	Accrued bonuses to employees	1,275	995	12,004
	Other current liabilities	7,151	6,201	67,343
	Total current liabilities	53,005	47,115	499,103
LONG-TERM LIABILITIES:	Bonds (Notes 6 and 13)	5,161	5,387	48,592
	Long-term bank loans (Notes 6 and 13)	8,048	12,594	75,782
	Long-term lease obligations (Notes 6 and 12)	329	631	3,101
	Deferred tax liabilities (Note 9)	139	5	1,312
	Liability for employees' retirement benefits (Note 7)	9,907	10,265	93,285
	Retirement allowances for directors, executive officers and Audit & Supervisory Board members (Note 7)	151	167	1,423
	Asset retirement obligations	333	332	3,135
	Other long-term liabilities	305	264	2,864
	Total long-term liabilities	24,373	29,645	229,494
EQUITY (Notes 8 and 18):	COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 14 and 15)			
	Common stock—authorized, 200,000,000 shares; issued, 97,715,600 shares in 2018 and 2017	10,038	10,038	94,517
	Capital surplus	9,386	9,386	88,382
	Retained earnings	17,832	13,977	167,918
	Treasury stock—at cost, 1,087,451 shares in 2018 and 1,085,824 shares in 2017	(539)	(538)	(5,074)
	Accumulated other comprehensive income (loss):			
	Unrealized gain on available-for-sale securities	3,736	3,122	35,181
	Deferred gain on derivatives under hedge accounting	3	5	32
	Foreign currency translation adjustments	(1,383)	(1,520)	(13,021)
	Defined retirement benefit plans	(1,687)	(2,185)	(15,889)
	Total equity	37,386	32,285	352,046
	TOTAL	¥ 114,764	¥ 109,045	$ 1,080,643

See notes to consolidated financial statements.

Consolidated Statement of Income

(Year Ended March 31, 2018)

		Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
	NET SALES (Note 11)	¥ 104,571	¥ 99,699	$ 984,659
	COST OF SALES (Note 11)	67,080	64,824	631,639
	Gross profit	37,491	34,875	353,020
	SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 10 and 11)	33,562	32,798	316,024
	Operating income	3,929	2,077	36,996
OTHER INCOME (EXPENSES):	Interest and dividend income	188	163	1,769
	Revenue from performance of research and development services	288	150	2,708
	Insurance claim receipt	57	159	541
	Interest expense	(226)	(367)	(2,130)
	Foreign exchange loss—net	(177)	(587)	(1,664)
	Loss on sales of trade receivables	(12)	(19)	(113)
	Gain on sales and disposals of property, plant and equipment—net	209	305	1,964
	Gain on sales of shares of unconsolidated subsidiaries	292		2,745
	Gain on sales of investment securities (Note 4)		245	
	Settlement package	(67)		(629)
	Equity in earnings of unconsolidated subsidiaries and affiliates	133	166	1,258
	Other—net	183	(18)	1,720
	Other income—net	868	197	8,169
	INCOME BEFORE INCOME TAXES	4,797	2,274	45,165
INCOME TAXES (Note 9):	Current	1,194	1,015	11,239
	Deferred	(929)	663	(8,751)
	Total income taxes	265	1,678	2,488
	NET INCOME	4,532	596	42,677
	NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 4,532	¥ 596	$ 42,677

	Yen 2018	Yen 2017	U.S. Dollars 2018
PER SHARE OF COMMON STOCK (Notes 2, 16 and 18):			
Basic net income	¥ 46.90	¥ 6.17	$ 0.44
Cash dividends applicable to the year	8.00	7.00	0.08

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

(Year Ended March 31, 2018)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
NET INCOME	¥ 4,532	¥ 596	$ 42,677
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17):			
Unrealized gain on available-for-sale securities	614	608	5,792
Deferred (loss) gain on derivatives under hedge accounting	(2)	5	(20)
Foreign currency translation adjustments	54	(298)	506
Defined retirement benefit plans	498	125	4,687
Share of other comprehensive income (loss) in unconsolidated subsidiaries and affiliates	83	(160)	782
Total other comprehensive income	1,247	280	11,747
COMPREHENSIVE INCOME	¥5,779	¥ 876	$ 54,424
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 5,779	¥ 876	$ 54,424
Noncontrolling interests			

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

(Year Ended March 31, 2018)

	Thousands	Millions of Yen								
						Accumulated Other Comprehensive Income (Loss)				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2016	97,716	¥10,038	¥9,386	¥14,058	¥(537)	¥2,514		¥(1,062)	¥(2,310)	¥32,087
Net income attributable to owners of the parent				596						596
Cash dividends for prior year-end, ¥3.5 per share, for current year interim, ¥3.5 per share (Note 18)				(677)						(677)
Purchase of treasury stock					(1)					(1)
Net change in the year						608	¥5	(458)	125	280
BALANCE, MARCH 31, 2017	97,716	10,038	9,386	13,977	(538)	3,122	5	(1,520)	(2,185)	32,285
Net income attributable to owners of the parent				4,532						4,532
Cash dividends, for prior year-end, ¥4.5 per share, for current year interim, ¥3.5 per share (Note 18)				(677)						(677)
Purchase of treasury stock					(1)					(1)
Net change in the year						614	(2)	137	498	1,247
BALANCE, MARCH 31, 2018	97,716	¥10,038	¥9,386	¥17,832	¥(539)	¥3,736	¥3	¥(1,387)	¥(1,687)	¥37,386

	Thousands of U.S. Dollars (Note 1)								
					Accumulated Other Comprehensive Income (Loss)				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, MARCH 31, 2017	$94,517	$88,382	$131,610	$(5,065)	$29,389	$ 52	$(14,309)	$(20,576)	$304,000
Net income attributable to owners of the parent			42,677						42,677
Cash dividends, for prior year-end, $0.04 per share, for current year interim, $0.03 per share			(6,369)						(6,369)
Purchase of treasury stock				(9)					(9)
Net change in the year					5,792	(20)	1,288	4,687	11,747
BALANCE, MARCH 31, 2018	$94,517	$88,382	$167,918	$ (5,074)	$35,181	$ 32	$(13,021)	$(15,889)	$352,046

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

(Year Ended March 31, 2018)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Income before income taxes	¥ 4,797	¥ 2,274	$ 45,165
OPERATING ACTIVITIES:			
Adjustments for:			
Income taxes—paid	(886)	(1,318)	(8,341)
Depreciation and amortization	2,668	2,526	25,126
Amortization of goodwill	370	370	3,483
Gain on sales and disposals of property, plant and equipment—net	(209)	(305)	(1,964)
Gain on sales of investment securities		(245)	
Gain on sales of shares of subsidiaries and associates	(292)		(2,745)
Equity in earnings of unconsolidated subsidiaries and affiliates	(133)	(166)	(1,258)
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable	(3,188)	(898)	(30,016)
(Increase) decrease in inventories	(3,161)	832	(29,769)
Increase (decrease) in trade notes and accounts payable	4,378	(3,259)	41,227
Increase (decrease) in advances received	331	(889)	3,115
Increase (decrease) in provision for accrued bonuses to employees	273	(158)	2,568
Increase in liability for employees' retirement benefits	58	126	547
Decrease in retirement allowances for directors, executive officers and Audit & Supervisory Board members	(17)	(22)	(160)
Other—net	1,535	559	14,456
Total adjustments	1,727	(2,847)	16,269
Net cash provided by (used in) operating activities	6,524	(573)	61,434
INVESTING ACTIVITIES:			
Decrease (increase) in time deposits—net	470	(5)	4,430
Proceeds from sales of investment securities		418	
Proceeds from sales of shares of unconsolidated subsidiaries	946		8,908
Proceeds from sales of property, plant and equipment	662	1,182	6,233
Purchases of property, plant and equipment	(1,562)	(2,514)	(14,711)
Purchases of intangible assets	(151)	(104)	(1,419)
Other—net	104	(71)	971
Net cash provided by (used in) investing activities	469	(1,094)	4,412
FINANCING ACTIVITIES:			
Decrease in short-term bank loans—net	(2,222)	(4,532)	(20,920)
Proceeds from long-term bank loans	800	8,900	7,533
Repayments of long-term bank loans	(4,652)	(6,318)	(43,807)
Proceeds from bonds issuance	398	3,355	3,744
Payment for redemption of bonds	(726)	(650)	(6,836)
Purchase of treasury stock	(1)	(1)	(9)
Cash dividends paid	(677)	(677)	(6,368)
Other—net	(432)	(366)	(4,073)
Net cash used in financing activities	(7,512)	(289)	(70,736)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	191	(340)	1,795
NET DECREASE IN CASH AND CASH EQUIVALENTS	(328)	(2,296)	(3,095)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,421	11,717	88,707
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY	721		6,798
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	¥ 9,814	¥ 9,421	$ 92,410

See notes to consolidated financial statements.

❶ BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which JEOL Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.2 to $1, the approximate rate of exchange at March 31, 2018. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

❷ SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2018 include the accounts of the Company and its 17 (14 in 2017) significant subsidiaries (together, the "Group").

JEOL CANADA,INC., JEOL(Nordic)AB, and JEOL(ITALIA)S.p.A. which were unconsolidated subsidiaries, have been included in the consolidation from the consolidated fiscal year ended March 31, 2018 because of their increased significance.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 9 (14 in 2017) unconsolidated subsidiaries and 4 (3 in 2017) affiliates are accounted for by the equity method.

Beijing Creative Technology Co., Ltd which was an unconsolidated subsidiary accounted for by the equity method in the prior fiscal year, has been excluded from the scope of the equity method in the current fiscal year because its shares held by the Company were sold.

Goodwill represents the excess of the fair value of the net assets of the acquired subsidiaries at the date of acquisition over their cost.

Goodwill is amortized on a straight line basis over 10 years, with the exception of minor amounts which are charged to income when incurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform associates' accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associates' financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

d. Business Combinations

Business combinations are accounted for using the purchase method. Acquisition related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

e. Cash Equivalent

Cash equivalents are short term investments that are readily convertible into cash and exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and securities which mature or become due within three months of the date of acquisition. Such securities are included in prepaid expenses and other current assets.

f. Inventories

Finished products are mainly stated at the lower of cost, determined
Finished products are mainly stated at the lower of cost, determined
by the moving average cost method, or net selling value. Finished products of consolidated foreign subsidiaries are stated at the lower of cost, determined by the specific identification method. Work in process is mainly stated at the lower of cost, determined by the specific identification method, or net selling value.

Raw materials and supplies are stated at cost, determined by the moving average cost method, or net selling value.

g. Investment Securities

All securities are classified as available for sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving average method.

Nonmarketable available for sale securities are stated at cost determined by the moving average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed by the declining balance method based on the estimated useful lives of the assets, while the straight line method is applied to all property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is from 7 to 65 years for buildings and structures and from 2 to 15 years for tools, furniture and fixtures.

Lease assets are depreciated by the straight line method over their respective lease periods. The useful lives for lease assets are the terms of the respective leases.

i. Long Lived Assets

The Group reviews its long lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Accumulated depreciation includes the accumulated amounts of impairment losses.

j. Software

Software development costs for internal use are deferred at cost less accumulated amortization, which is calculated by the straight line method over the estimated useful lives (five years).

k. Bond Issue Costs

Bond issue costs incurred on or after May 1, 2006, are amortized by the straight line method over the bond term in accordance with ASBJ PITF No. 19, "Tentative Solution on Accounting for Deferred Assets," which was issued by the ASBJ on August 11, 2006, and is effective for fiscal years ending on or after May 1, 2006.

l. Retirement and Pension Plans

Employees of the Company and certain consolidated subsidiaries who retire at or after the age of 60 are entitled to approximately 60% of their benefits in the form of an annuity. The funds for the annuity payments are entrusted to an outside trustee.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 12 years and 11 to 12 years, respectively, no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

m. Asset Retirement Obligations

An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

n. Research and Development Costs

Research and development costs are charged to income as incurred.

o. Leases

Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet. In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard permits leases that existed at the transition date and that do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

p. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Company applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016.There was no impact from this for the year ended March 31, 2017.

q. Foreign Currency Transactions

All short term and long term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

r. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

s. Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Gains or losses on derivatives used for hedging purposes, if qualified for hedge accounting because of a high correlation and effectiveness between the hedging instruments and the hedged items, are deferred until maturity of the hedged transactions.

Forward contracts applied to forecasted (or committed) transactions are also measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense.

t. Per Share Information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding for the period.

For the years ended March 31, 2018 and 2017, diluted net income per share is not disclosed because the Company no longer has convertible securities.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

u. Accounting Changes and Error Corrections

Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and

Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior Period Errors—When an error in prior period financial statements is discovered, those statements are restated.

v. New Accounting Pronouncements

1.JEOL Ltd. and domestic subsidiaries and affiliates

On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step1: Identify the contract(s) with a customer
Step2: Identify the performance obligations in the contract
Step3: Determine the transaction price
Step4: Allocate the transaction price to the performance obligations in the contract
Step5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

2.Foreign subsidiaries and affiliates

IFRS 15, "Revenue from Contracts with Customers"

IFRS 15 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Compared with the current standards, the new standards require more steps of judgments and estimates. Those judgments and estimates include an identification of performance obligation in contracts, an estimation of variable consideration included in transaction price and an allocation of the transaction price to each performance obligation.

Scheduled Date of Adoption

To be applied from the fiscal year ending March 2019.

Effect of Adoption

The effect of adoption of the aforementioned standards on the Company's consolidated financial statements is under evaluation.

3 CASH AND CASH EQUIVALENTS

The balances of cash and deposits reflected in the consolidated balance sheets at March 31, 2018 and 2017 are reconciled to the balances of cash and cash equivalents as presented in the consolidated statements of cash flows for the years then ended as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Cash and deposits	¥ 9,677	¥ 9,421	$ 91,122
Securities	137		1,288
Cash and cash equivalents	¥ 9,814	¥ 9,421	$ 92,410

4 INVESTMENT SECURITIES

Investment securities as of March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Non-current:			
Marketable equity securities	¥ 7,688	¥ 6,813	¥ 72,394
Nonmarketable securities	61	58	571
Total	¥ 7,749	¥ 6,871	$ 72,965

The costs and aggregate fair values of investment securities at March 31, 2018 and 2017, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2018				
Securities classified as available-for-sale equity securities	¥ 2,475	¥ 5,236	¥ 23	¥ 7,688
March 31, 2017				
Securities classified as available-for-sale equity securities	¥ 2,475	¥ 4,364	¥ 26	¥ 6,813

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2018				
Securities classified as available-for-sale equity securities	$ 23,308	$ 49,304	$ 218	$ 72,394

The information for available for sale securities sold during the year ended March 31, 2017, is as follows:

	Millions of Yen	
March 31, 2017	Proceeds	Realized Gains
Available-for-sale—Equity securities	¥ 417	¥ 245

There is no impairment loss on available for sale equity securities for the years ended March 31, 2018 and 2017.

5 INVENTORIES

Inventories at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Finished products	¥ 11,623	¥ 10,309	$ 109,439
Work in process	27,945	27,485	263,138
Raw materials and supplies	1,784	1,506	16,799
Total	¥ 41,352	¥ 39,300	$ 389,376

6 SHORT TERM BANK LOANS AND LONG TERM DEBT

Short term bank loans at March 31, 2018 and 2017, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short term bank loans ranged from 0.96% to 1.01% and 0.29% to 1.82% at March 31, 2018 and 2017, respectively.

Long term debt at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unsecured 0.45% yen bonds, due 2018		¥ 200	
Unsecured 0.10% yen bonds, due 2018	¥ 125	250	$ 1,177
Unsecured 0.10% yen bonds, due 2019	188	313	1,766
Unsecured 0.53% yen bonds, due 2020	1,500	1,500	14,124
Unsecured 0.32% yen bonds, due 2020	300	400	2,825
Unsecured 0.16% yen bonds, due 2021	1,500	1,500	14,124
Unsecured 0.01% yen bonds, due 2021	350		3,296
Unsecured 0.10% yen bonds, due 2021	1,000	1,000	9,416
Unsecured 0.07% yen bonds, due 2023	774	900	7,288
Loans from banks and insurance companies, due serially to 2023 with interest rates ranging from 0.29% to 1.82% (2018) and from 0.29% to 1.88% (2017):			
Collateralized	7,265	8,705	68,409
Unsecured	6,049	8,461	56,959
Lease obligations	688	1,067	6,482
Total	19,739	24,296	185,866
Less current portion	(6,201)	(5,684)	(58,391)
Long-term debt, less current portion	¥13,538	¥18,612	$127,475

Annual maturities of long term debt, excluding finance leases (see Note 12), at March 31, 2018, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2019	¥ 5,842	$ 55,010
2020	4,328	40,750
2021	3,827	36,034
2022	4,704	44,294
2023	206	1,940
2024 and thereafter	144	1,356
Total	¥ 19,051	$ 179,384

The carrying amounts of assets pledged as collateral for short term bank loans of ¥650 million ($6,116 thousand) and ¥1,271 million, current portion of long term bank loans of ¥2,880 million ($27,119 thousand) and ¥1,455 million, and long term bank loans of ¥4,385 million ($41,290 thousand) and ¥7,250 million at March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Land	¥ 535	¥ 535	$ 5,040
Buildings and structures—net of accumulated depreciation	3,147	3,295	29,634
Machinery and equipment—net of accumulated depreciation	3		32
Investment securities	3,193	2,581	30,061
Total	¥ 6,878	¥ 6,411	$ 64,767

In addition to the above loan balances, in order to increase liquidity, the Company entered into a committed loan facility agreement for an aggregated amount of ¥9,000 million ($84,746 thousand), with a syndicate of six Japanese banks, arranged by MUFG Bank, Ltd. at March 31, 2018 and 2017.Related to the agreement, there is no outstanding borrowing at March 31, 2018 and 2017.

The committed loan facility agreement includes financial covenants, with which the Company is in compliance. The financial covenants are as follows. As of March 31, 2018, there is no infringement of the debt covenants.

(a) The amount of the Group's net assets at the end of the fiscal year
(b) The amount of the Group's net assets at the end of the previous fiscal year
(c) The amount of the Group's net assets at the end of the fiscal year 2011—¥14,388 million
(a) must not fall below 75% of the larger of (b) or (c).

7 RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees, directors, executive officers and Audit & Supervisory Board members. Certain consolidated foreign subsidiaries also have pension plans.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for retirement benefits at March 31, 2018 and 2017, for directors and Audit & Supervisory Board members was ¥151 million ($1,423 thousand) and ¥167 million, respectively. The retirement benefits for directors and Audit & Supervisory Board members are paid subject to the approval of the shareholders.

(1) The changes in defined benefit obligation for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥ 17,646	¥ 17,141	$ 166,167
Current service cost	1,005	971	9,467
Interest cost	167	166	1,577
Actuarial (gains) losses	(124)	262	(1,171)
Benefits paid	(365)	(698)	(3,442)
Effect of changes in the scope of consolidation	62		580
Others	88	(196)	825
Balance at end of year	¥ 18,479	¥ 17,646	$ 174,003

(2) The changes in plan assets for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥ 7,839	¥ 7321	$ 73,812
Expected return on plan assets	142	132	1,338
Actuarial (gains) losses	250	(28)	2,351
Contributions from the employer	1,129	1,010	10,641
Benefits paid	(355)	(464)	(3,346)
Others	51	(132)	477
Balance at end of year	¥ 9,056	¥ 7,839	$ 85,273

(3) The changes in liability for retirement benefits under the simplified method for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥ 458	¥ 440	$ 4,306
Net periodic benefit costs	45	39	422
Benefits paid	(19)	(21)	(173)
Balance at end of year	¥ 484	¥ 458	$ 4,555

(4) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Funded defined benefit obligation	¥ 19,119	¥ 18,324	$ 180,032
Plan assets	(9,530)	(8,285)	(89,739)
Total	9,589	10,039	90,293
Unfunded defined benefit obligation	318	226	2,992
Net liability arising from defined benefit obligation	¥ 9,907	¥ 10,265	$ 93,285

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Liability for retirement benefits	¥ 9,907	¥ 10,265	$ 93,285
Net liability arising from defined benefit obligation	9,907	10,265	93,285

(5) The components of net periodic benefit costs for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Service cost	¥ 1,005	¥ 971	$ 9,467
Interest cost	167	166	1,577
Expected return on plan assets	(142)	(132)	(1,338)
Recognized actuarial losses	252	285	2,361
Amortization of prior service cost	(10)	(10)	(92)
Benefit costs accounted for the simplified method	45	39	422
Net periodic benefit costs	¥ 1,317	¥ 1,319	$ 12,397

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Prior service cost	¥ (10)	¥ (10)	$ (92)
Actuarial losses	508	135	4,779
Total	¥ 498	¥ 125	$ 4,687

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrecognized prior service cost	¥ (41)	¥ (51)	$ (389)
Unrecognized actuarial losses	1,728	2,236	16,278
Total	¥ 1,687	¥ 2,185	$ 15,889

(8) Plan assets

a.Components of plan assets

Plan assets as of March 31, 2018 and 2017, consisted of the following:

	2018	2017
Debt investments	12%	11%
Equity investments	40	41
General account	41	41
Others	7	7
Total	100%	100%

b.Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used for the years ended March 31, 2018 and 2017, are set forth as follows:

	2018	2017
Discount rate	1.0%	1.0%
Expected rate of return on plan assets	1.9	1.8

(10) Defined contribution plansfollowing:

Retirement benefit costs of defined contribution plans as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Retirement benefit costs of defined contribution plans	¥137	¥135	$1,289

8 EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a.Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9 INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted a in normal effective statutory tax rate of approximately 30.9% for each of the years ended March 31, 2018 and 2017.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2018 and 2017, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Deferred tax assets—Current:			
Accrued bonuses to employees	¥ 380	¥ 285	$ 3,580
Research and development costs	421	468	3,962
Accrued enterprise taxes	148	74	1,396
Unrealized intercompany profits of inventories	581	143	5,472
Loss on write-down of inventories	302	296	2,845
Tax loss carryforwards	188	107	1,771
Other	777	682	7,320
Less valuation allowance	(271)	(253)	(2,554)
Total	2,526	1,802	23,792
Deferred tax liabilities—Current	(164)	(186)	(1,547)
Net deferred tax assets—Current	¥ 2,362	¥ 1,616	$ 22,245
Deferred tax assets—Non-current:			
Property, plant and equipment	¥ 285	¥ 272	$ 2,687
Amortization of software	900	909	8,480
Impairment loss	13	72	122
Loss on write-down of investment securities	198	198	1,866
Liability for employees' retirement benefits	2,705	2,693	25,472
Retirement allowances for directors, executive officers and Audit & Supervisory Board members	51	52	476
Tax loss carryforwards	651	1,335	6,126
Other	295	443	2,781
Less valuation allowance	(3,041)	(4,079)	(28,638)
Total	2,057	1,895	19,372
Deferred tax liabilities—Non-current	(1,687)	(1,539)	(15,885)
Net deferred tax assets—Non-current	¥ 370	¥ 356	$ 3,487
Deferred tax liabilities—Current—other	¥ (165)	¥ (247)	$ (1,551)
Total	(165)	(247)	(1,551)
Deferred tax assets—Current	164	186	1,547
Net deferred tax liabilities—Current	¥ (1)	¥ (61)	$ (4)
Deferred tax liabilities—Non-current:			
Unrealized gain on available-for-sale securities	¥ (1,481)	¥ (1,217)	$ (13,943)
Undistributed earnings of affiliates	(280)	(256)	(2,635)
Other	(65)	(71)	(619)
Total	(1,826)	(1,544)	(17,197)
Deferred tax assets—Non-current	1,687	1,539	15,885
Net deferred tax liabilities—Non-current	¥ (139)	¥ (5)	$ (1,312)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2018, with the corresponding figures for 2017, is as follows:

	2018	2017
Normal effective statutory tax rate	30.9%	30.9%
Expenses not deductible for income tax purposes	2.0	3.0
Inhabitant tax on per capita basis	0.9	1.9
Unrealized intercompany profits	(4.9)	9.0
Difference in tax rates of foreign subsidiaries	0.9	2.6
Foreign tax credit	1.1	3.0
Less valuation allowance	(21.3)	18.2
Adjustment on deferred tax assets due to change in income tax rate	0.9	
Other—net	(5.0)	5.2
Actual effective tax rate	5.5%	73.8%

At March 31, 2018, the Company has tax loss carryforwards aggregating approximately ¥2,925 million ($27,535 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2021	¥ 1,351	$ 12,717
2022	386	3,632
2024 and thereafter	1,188	11,186
Total	¥ 2,925	$ 27,535

10 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Depreciation and amortization, research and development costs, net periodic retirement benefit costs and amortization of goodwill for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Depreciation and amortization	¥ 736	¥ 837	$ 6,932
Research and development costs	6,044	6,130	56,913
Net periodic retirement benefit costs	509	512	4,793
Amortization of goodwill	370	370	3,483

11 RELATED PARTY DISCLOSURES

Transactions of the Group with unconsolidated subsidiaries and affiliates for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Sales	¥ 4,265	¥ 4,906	$ 40,158
Purchases	1,582	1,132	14,896
Selling, general and administrative expenses	1,223	1,206	11,516

12 LEASES

The Group leases certain machinery, computer equipment, office space and other assets.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2018 and 2017 were ¥1,763 million ($16,600 thousand) and ¥1,641 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2018		2017		2018	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 359	¥ 162	¥ 436	¥ 178	$ 3,381	$ 1,525
Due after one year	329	225	631	284	3,101	2,121
Total	¥ 688	¥ 387	¥ 1,067	¥ 462	$ 6,482	$ 3,646

Pro forma Information of Leased Property Whose Lease Inception Was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee and whose lease inception was before March 31, 2008, to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008, and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008, was as follows:

	Millions of Yen	
	2018	
	Machinery and Equipment	Total
Acquisition cost	¥ 41	¥ 41
Accumulated depreciation	38	38
Net leased property	¥ 3	¥ 3

	Millions of Yen	
	2017	
	Machinery and Equipment	Total
Acquisition cost	¥ 41	¥ 41
Accumulated depreciation	34	34
Net leased property	¥ 7	¥ 7

	Thousands of U.S. Dollars	
	2018	
	Machinery and Equipment	Total
Acquisition cost	$ 385	$ 385
Accumulated depreciation	353	353
Net leased property	$ 32	$ 32

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Due within one year	¥ 4	¥ 4	$ 39
Due after one year		4	
Total	¥ 4	¥ 8	$ 39

Depreciation expense, interest expense and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Depreciation expense	¥ 4	¥ 4	$ 35
Interest expense	1	1	3
Total	¥ 5	¥ 5	$ 38
Lease payments	¥ 5	¥ 5	$ 44

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statement of income, are computed by the declining balance method and the interest method, respectively.

13 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly long term debt including bank loans and bonds to finance capital investment for scientific instruments and industrial equipment. Cash surpluses, if any, are invested in low-risk financial assets. Bank loans are used to fund the Company's ongoing operations. Derivatives are not used for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature, Extent of Risks and Risk Management for Financial Instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year.

Maturities of bank loans, bonds and lease obligations are less than seven years after the consolidated balance sheet date. Although a part of such bank loans and bonds are exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps.

Derivatives mainly include forward foreign currency contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables, and from changes in interest rates of bank loans and bonds.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount. Please see Note 14 for more details about derivatives.

(3) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. The results of valuation may differ in assumptions because the rational valuation techniques include variable factors. Also, please see Note 14 for the details of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2018	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and deposits	¥ 9,677	¥ 9,677	
Time deposits	263	263	
Receivables	30,264	30,264	
Investment securities	7,688	7,688	
Total	¥ 47,892	¥ 47,892	
Short-term bank loans	¥ 4,350	¥ 4,350	
Payables	25,297	25,297	
Long-term debt	19,051	19,096	¥ 45
Total	¥ 48,698	¥ 48,743	¥ 45

	Millions of Yen		
March 31, 2017	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and deposits	¥ 9,421	¥ 9,421	
Time deposits	745	745	
Receivables	26,787	26,787	
Investment securities	6,813	6,813	
Total	¥ 43,766	¥ 43,766	
Short-term bank loans	¥ 6,571	¥ 6,571	
Payables	20,237	20,237	
Long-term debt	23,229	23,309	¥ 80
Total	¥ 50,037	¥ 50,117	¥ 80

	Thousands of U.S. Dollars		
March 31, 2018	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and deposits	$ 91,122	$ 91,122	
Time deposits	2,473	2,473	
Receivables	284,975	284,975	
Investment securities	72,394	72,394	
Total	$ 450,964	$ 450,964	
Short-term bank loans	$ 40,956	$ 40,956	
Payables	238,200	238,200	
Long-term debt	179,384	179,810	$ 426
Total	$ 458,540	$ 458,966	$ 426

Cash and Deposits and Time Deposits

The carrying values of cash and deposits and time deposits approximate fair value because of their short maturities.

Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for investment securities by classification is included in Note 4.

Receivables, Payables and Short Term Bank Loans

The fair values of receivables, payables and short term bank loans are measured at the amount to be received or paid at maturity discounted at the Group's assumed corporate discount rate.

Long Term Debt

The fair value of long term debt is determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives

Fair value information for derivatives is included in Note 14.

(b) Carrying amount of financial instruments whose fair values annot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Investments in equity instruments that do not have a quoted market price in an active market	¥ 1,588	¥ 2,366	$ 14,953

(4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen
March 31, 2018	Due in 1 Year or Less
Cash and cash equivalents	¥ 9,677
Time deposits	263
Receivables	30,264
Total	¥ 40,204

	Millions of Yen
March 31, 2017	Due in 1 Year or Less
Cash and cash equivalents	¥ 9,421
Time deposits	745
Receivables	26,787
Total	¥ 36,953

	Thousands of U.S. Dollars
March 31, 2018	Due in 1 Year or Less
Cash and cash equivalents	$ 91,122
Time deposits	2,473
Receivables	284,975
Total	$ 378,570

Please see Note 6 for annual maturities of long term debt and Note 12 for obligations under finance leases.

14 DERIVATIVES

The Group enters into foreign currency forward contracts to hedge exchange rate risk associated with certain assets denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exchange rate risk exposures arising from the Group's ordinary business activities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

With respect to derivative transactions, basic policies are decided by the Board of Directors. Derivative transactions are executed within the necessary range and managed by the financial affairs division.

Derivative Transactions to Which Hedge Accounting Is Applied

		Millions of Yen		
March 31, 2018	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts—Selling U.S.$	Receivables	¥ 1,380		¥ 4
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	4,335	¥ 1,230	

		Millions of Yen		
March 31, 2017	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts—Selling U.S.$	Receivables	¥ 1,015		¥ 8
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	6,455	¥ 4,245	

		Thousands of U.S. Dollars		
March 31, 2018	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts—Selling U.S.$	Receivables	$ 12,999		$ 46
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	40,819	$ 11,582	

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps is included in that of hedged items (i.e., long term debt).

15 CONTINGENT LIABILITIES

At March 31, 2018 and 2017, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Guarantees of advance received and bank loans of unconsolidated subsidiary	¥ 485	¥ 500	$ 4,572

⑯ NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2018 and 2017, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Year Ended March 31, 2018				
Basic EPS—Net income available to common shareholders	¥ 4,532	96,629	¥ 46.90	$ 0.44
Year Ended March 31, 2017				
Basic EPS—Net income available to common shareholders	¥ 596	96,631	¥ 6.17	

For the years ended March 31, 2018 and 2017, diluted EPS is not disclosed because the Company no longer has convertible securities.

On June 27, 2018, a one-for-two "reverse stock split" is preferred was approved at the Company's 71st ordinary general meeting of shareholders (the "Ordinary General Meeting of Shareholders") to be effected on October 1, 2018. See Note 18 for details.

⑰ OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	¥ 874	¥ 976	$ 8,241
Reclassification adjustments to profit or loss		(245)	
Amount before income tax effect	874	731	8,241
Income tax effect	(260)	(123)	(2,449)
Total	¥ 614	¥ 608	$ 5,792
Deferred gain (loss) on derivatives under hedge accounting:			
Losses arising during the year	¥ (130)	¥ (258)	$ (1,225)
Reclassification adjustments to profit or loss	127	265	1,196
Amount before income tax effect	(3)	7	(29)
Income tax effect	1	(2)	9
Total	¥ (2)	¥ 5	$ (20)
Foreign currency translation adjustments	¥ 54	¥ (298)	$ 506
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 374	¥ (290)	$ 3,522
Reclassification adjustments to profit or loss	124	415	1,165
Amount before income tax effect	498	125	1,117
Total	¥ 498	¥ 125	$ 4,687
Share of other comprehensive income (loss) in unconsolidated subsidiaries and affiliates—Losses arising during the year	¥ 83	¥ (160)	$ 782
Total other comprehensive income	¥ 1,247	¥ 280	$ 11,747

⑱ SUBSEQUENT EVENTS

Share Consolidation and Change in the Number of Shares Constituting one Share Unit

At the Board of Directors meeting held on May 15, 2018, JEOL Ltd. resolved to submit a proposal for the reverse stock split is preferred same comment to the just of the financials to its 71st ordinary general meeting of shareholders held on June 27, 2018 (the "Ordinary General Meeting of Shareholders").

At the same time, JEOL Ltd. resolved at the Board of Director's meeting a change in the number of shares constituting one share unit contingent on the approval of the proposal regarding the share consolidation at the Ordinary General Meeting of Shareholders.

The proposal regarding the share consolidation was approved at the Ordinary General Meeting of Shareholders.

Details are as follows:

(1) Reason for the share consolidation and the change in the number of shares constituting one share unit

Japanese stock exchanges have announced the "Action Plan for Consolidating Trading Units", aiming to unify the trading unit of common stock of domestic companies listed on Japanese stock exchanges to 100 shares by October 1, 2018.

As a company listed on the Tokyo Stock Exchange, JEOL Ltd., respecting this intention, has decided to change its number of shares constituting one share unit from 1,000 shares to 100 shares as of October 1, 2018.

Also, JEOL Ltd. will carry out a share consolidation (every two shares will be consolidated into one share) with a view to adjusting the investment unit to an appropriate level.

(2) Details of the share consolidation

(a) Type of shares subject to the share consolidation:
Common shares

(b) Method and ratio of the share consolidation:
Consolidation to be executed on October 1, 2018 at a ratio of one share for each two shares owned by shareholders of record in the latest shareholder register as of September 30, 2018.

(c) Share reduction resulting from the share consolidation:

	Shares
Number of shares of common stock outstanding before share consolidation (as of March 31, 2018)	97,715,600
Number of share decrease due to share consolidation	48,857,800
Number of shares of common stock outstanding after share consolidation	48,857,800

Note
"Number of share decrease due to the consolidation" and "Number of shares of common stock outstanding before share consolidation" are a theoretical value calculated based on multiplying the total number of outstanding shares before the consolidation by the share consolidation ratio.

(d) Treatment when less than one share arises:
If a fractional number of shares of less than one share arises as a result of the share consolidation, all such fractional numbers of shares shall be subject to a bulk sale by JEOL Ltd. in accordance with provisions of the Companies Act. The proceeds of the said sale shall be distributed to the shareholders who resulted in owning fractional shares in proportion to their respective fractional shareholdings.

(e) Total number of authorized shares as of the effective date:
In conjunction with the reduction of total number of the outstanding shares as a result of the share consolidation, in order to adjust the total number of authorized shares to an appropriate level, the total number of authorized shares shall be reduced in accordance with the share consolidation ratio (one-half) as of the effective date (October 1, 2018).

	Shares
Total number of authorized shares before change	200,000,000
Total number of authorized shares after change (as of October 1, 2018)	100,000,000

(3) Details of change in the number of shares constituting one share unit

Effective from October 1, 2018, the number of share constituting one share unit of JEOL Ltd. will be changed from 1,000 shares to 100 shares.

(4) Schedule

Resolution date of Board of Directors	May 15, 2018
Resolution date of Ordinary General Meeting of Shareholders	June 27, 2018
one share unit	October 1, 2018

(5) Effect on per share information

Assuming that the share consolidation had taken place on April 1, 2016, per share information for the years ended March 31, 2018 and 2017 would be as follows:

	Yen		U.S. Dollars
	2018	2017	2018
BPS—Net assets per share	¥ 773.84	¥ 668.22	$ 7.28
Basic EPS—Net income available to common shareholders	93.81	12.33	0.88

Note

For the years ended March 31, 2018 and 2017, diluted EPS is not disclosed because the Company no longer has convertible securities.

19 SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Disclosures about Segment of an Enterprise and Related information," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Disclosures about Segment of an Enterprise and Related information," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is performed in order to decide how resources are allocated among the Group. The Group's reportable segments are Scientific Instruments, Industrial Equipment, and Medical Equipment. Scientific Instruments consists of the manufacture and sale of Transmission Electron Microscopes, NMR Spectrometers, Scanning Electron Microscopes, Mass Spectrometers, etc.; Industrial Equipment consists of the manufacture and sale of Electron Beam Lithography Systems, Wafer Inspection Systems, High Frequency Plasma Generators, etc.; Medical Equipment consists of the manufacture and sale of Clinalyzers, etc.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

Segment profit is based on operating income

(3) Information about Sales, Profit (Loss), Assets and Other Items

	Millions of Yen					
	2018					
	Reportable Segments				Reconciliations	Consolidated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Sales:						
Sales to external customers	¥ 68,480	¥ 16,708	¥ 19,383	¥ 104,571		¥ 104,571
Intersegment sales or transfers						
Total	¥ 68,480	¥ 16,708	¥ 19,383	¥ 104,571		¥ 104,571
Segment profit	¥ 1,067	¥ 4,752	¥ 2,261	¥ 8,080	¥ (4,151)	¥ 3,929
Segment assets	65,990	12,892	16,138	95,020	19,744	114,764
Other:						
Depreciation	2,090	221	169	2,480	188	2,668
Increase in property, plant and equipment and intangible assets	1,939	354	284	2,577	150	2,727

Notes: 1. Reconciliations of:

— Segment profit amounting to ¥(4,151) million includes common costs which are not distributed to any reportable segment. The common costs are mainly the back office expenses.

— Segment assets amounting to ¥19,744 million include common assets which are not distributed to any reportable segment. The common assets are mainly cash surplus (cash and cash equivalents and time deposits) and long term investments (investment securities).

— Depreciation amounting to ¥188 million includes depreciation of the general administration section that is not attributable to any reportable segment.

— Increase in property, plant and equipment and intangible assets amounting to ¥150 million includes common assets which are not distributed to any reportable segment.

2. Segment profit is reconciled to operating income in the consolidated statement of income.

	Millions of Yen					
	2017					
	Reportable Segments				Reconciliations	Consolidated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Sales:						
Sales to external customers	¥ 66,510	¥ 11,565	¥ 21,624	¥ 99,699		¥ 99,699
Intersegment sales or transfers						
Total	¥ 66,510	¥ 11,565	¥ 21,624	¥ 99,699		¥ 99,699
Segment profit	¥ 1,272	¥ 2,664	¥ 2,153	¥ 6,089	¥ (4,012)	¥ 2,077
Segment assets	61,480	9,788	18,432	89,700	19,345	109,045
Other:						
Depreciation	1,798	282	166	2,246	280	2,526
Increase in property, plant and equipment and intangible assets	2,735	178	188	3,101	166	3,267

Notes: 1. Reconciliations of:

— Segment profit amounting to ¥(4,012) million includes common costs which are not distributed to any reportable segment. The common costs are mainly the back office expenses.

— Segment assets amounting to ¥19,345 million include common assets which are not distributed to any reportable segment. The common assets are mainly cash surplus (cash and cash equivalents and time deposits) and long term investments (investment securities).

— Depreciation amounting to ¥280 million includes depreciation of the general administration section that is not attributable to any reportable segment.

— Increase in property, plant and equipment and intangible assets amounting to ¥166 million includes common assets which are not distributed to any reportable segment.

2. Segment profit is reconciled to operating income in the consolidated statement of income.

	Thousands of U.S. Dollars					
	2018					
	Reportable Segments				Reconciliations	Consolidated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Sales:						
Sales to external customers	$ 644,826	$ 157,322	$ 182,511	$ 984,659		$ 984,659
Intersegment sales or transfers						
Total	$ 644,826	$ 157,322	$ 182,511	$ 984,659		$ 984,659
Segment profit	$ 10,043	$ 44,751	$ 21,288	$ 76,082	$ (39,086)	$ 36,996
Segment assets	621,371	121,397	151,961	894,729	185,914	1,080,643
Other:						
Depreciation	19,682	2,077	1,591	23,350	1,776	25,126
Increase in property, plant and equipment and intangible assets	18,255	3,337	2,673	24,265	1,413	25,678

Notes:1 .Reconciliations of:

— Segment profit amounting to $39,086 thousand includes common costs which are not distributed to any reportable segment. The common costs are mainly the back office expenses.

— Segment assets amounting to $185,914 thousand include common assets which are not distributed to any reportable segment. The common assets are mainly cash surplus (cash and cash equivalents and time deposits) and long term investments (investment securities).

— Depreciation amounting to $1,776 thousand includes depreciation of the general administration section that is not attributable to any reportable segment.

— ncrease in property, plant and equipment and intangible assets amounting to $1,413 thousand includes common assets which are not distributed to any reportable segment.

2. Segment profit is reconciled to operating income in the consolidated statement of income.

Related Information

(1) Information about Products and Services

This information is omitted because it is provided as part of the reportable segment information.

(2) Information about Geographical Areas

a.Sales

Millions of Yen			
2018			
Japan	U.S.A.	Other	Total
¥ 45,193	¥ 18,246	¥ 41,132	¥ 104,571

Millions of Yen			
2017			
Japan	U.S.A.	Other	Total
¥ 40,339	¥ 23,582	¥ 35,778	¥ 99,699

Thousands of U.S. Dollars			
2018			
Japan	U.S.A.	Other	Total
$ 425,548	$ 171,810	$ 387,301	$ 984,659

b.Property, plant and equipment

Millions of Yen			
2018			
Japan	Germany	Other	Total
¥ 10,774	¥ 1,500	¥ 1,324	¥ 13,598

Millions of Yen		
2017		
Japan	Other	Total
¥ 10,901	¥ 2,564	¥ 13,465

Thousands of U.S. Dollars			
2018			
Japan	Germany	Other	Total
$ 101,444	$ 14,124	$ 12,469	$ 128,037

(3) Information about Major Customers

Information for the years ended March 31, 2018 and 2017, is not disclosed because no customers represent 10% or more of the consolidated sales.

(4) Information about Impairment Loss of Fixed Assets by Reportable Segment

There is no impairment loss for the years ended March 31, 2018 and 2017.

(5) Information about Goodwill by Reportable Segment

	Millions of Yen					
	2018					
	Reportable Segments				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Amortization of goodwill	¥ 370			¥ 370		¥ 370
Goodwill at March 31, 2018	2,126			2,126		2,126

	Millions of Yen					
	2017					
	Reportable Segments				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Amortization of goodwill	¥ 370			¥ 370		¥ 370
Goodwill at March 31, 2017	2,496			2,496		2,496

	Thousands of U.S. Dollars					
	2018					
	Reportable Segments				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Amortization of goodwill	$ 3,483			$ 3,483		$ 3,483
Goodwill at March 31, 2018	20,027			20,027		20,027

(6) Information about Negative Goodwill by Reportable Segment

There is no negative goodwill.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of JEOL Ltd.:

We have audited the accompanying consolidated balance sheet of JEOL Ltd. and its consolidated subsidiaries as of March 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of JEOL Ltd. and its consolidated subsidiaries as of March 31, 2018, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 27, 2018

Member of
Deloitte Touche Tohmatsu Limited

Corporate Name	JEOL Ltd.
Address	1-2, Musashino 3-chome, Akishima, Tokyo 196-8558, Japan TEL: +81-42-543-1111 FAX: +81-42-546-3353
Establishment	May 30, 1949
Capital	¥10,038 million
Number of Employees	Consolidated: 3,008 Non-consolidated: 1,912

Stock In formation	Authorized shares	200,000,000
	Issued shares	97,715,600
	Number of shareholders	5,304

Head Office and Branch Offices

- Head Office: Factory
- Tokyo Office
- Tokyo Second Office
- Yokohama Office
- Tokyo Branch
- Sapporo Branch
- Sendai Branch
- Tsukuba Branch
- Nagoya Branch
- Osaka Branch
- West Japan Solution Center
- Hiroshima Branch
- Takamatsu Branch
- Fukuoka Branch

Domestic Subsidiaries and Affiliated Companies

- JEOL TECHNICS LTD.
- JEOL TECHNOSERVICE CO., LTD.
- JEOL YAMAGATA CO., LTD.
- JEOL INSTRUMENTS INC.
- JEOL RESONANCE Inc.

Overseas Subsidiaries

JEOL USA, INC. [USA]	11 Dear Born Road, Peabody, MA 01960, USA TEL. 1-978-535-5900
JEOL (EUROPE) SAS [France]	Espace Claude Monet 1 Allée de Giverny 78290 Croissy Sur Seine, France TEL. 33-13015-3737
JEOL (U.K.) LTD. [U.K.]	JEOL House, Silvercourt, Watchmead, Welwyn Garden City, Herts AL7 1LT, England TEL. 44-1707-377117
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JEOL (Nordic) AB [Sweden]	Hammarbacken 6A, P.O. BOX 716, 191 27 Sollentuna, Sweden TEL. 46-8-28-2800
JEOL (GERMANY) GmbH [Germany]	Gute Änger 30 85356 Freising, Germany TEL. 49-8161-9845-0
JEOL (ITALIA) S.p.A. [Italy]	Palazzo Pacinotti Milano 3 City Via Ludovico il Moro, 6/A 20080 Basiglio (MI), Italy TEL. 39-02-9041431
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JEOL DE MEXICO S.A. DE C.V. [Mexico]	Arkansas 11 Piso 2 Colonia Napoles Delegacion Benito Juarez C.P.03 810, Mexico D.F. TEL. 52-5-55-211-4511
JEOL CANADA, INC. [Canada]	3275 1ere Rue, Local #8, St-Hubert, QC J3Y-8Y6, Canada TEL. 1-450-676-8776
JEOL BRASIL Instrumentos Cientificos Ltda. [Brazil]	Av. Jabaquara, 2958-5°andar-cj 52 04046-500 Sao Paulo SP, Brazil TEL. 55-11-5070-4000
JEOL (MALAYSIA) SDN. BHD. [Malaysia]	508, Block A, Level 5 Kelana Business Center 97, Jalan SS 7/2 Kelana Jaya Petaling Jaya 47301, Selangor, Malaysia TEL. 60-3-7492-7722
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JEOL DATUM Shanghai Co., Ltd. [China]	Room 1507&1508 Ben Ben Mansion, No. 300 Xikang Road, Jingan Area, Shanghai 200040, China TEL. 86-21-5836-6350
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JEOL INDIA PVT. LTD. [India]	Elegance Tower, Level 2, 212B Old Mathura Road, Jasola Business District, Jasola, New Delhi-110025, Delhi, India TEL. 91-11-6472-2578
JEOL GULF FZCO [UAE]	P.O. Box No. 371107, Dubai Airport Free Trade Zone East Wing, 5EA No. 404, Dubai, UAE TEL. 971-4-609-1497
JEOL KOREA LTD. [Korea]	Dongwoo Bldg. 7F, 1443, Yangjae Daero, Gangdong-Gu, Seoul, 134-814, Korea TEL. 82-2-511-5501

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VEGETABLE OIL INK